



OHIO AUDITOR OF STATE  
**KEITH FABER**





**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT  
LAKE COUNTY  
JUNE 30, 2023**

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**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT  
LAKE COUNTY  
JUNE 30, 2023**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Fairport Harbor Exempted Village School District  
Lake County  
329 Vine Street  
Fairport Harbor, Ohio 44077

To the Board of Education:

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairport Harbor Exempted Village School District, Lake County, Ohio (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairport Harbor Exempted Village School District, Lake County, Ohio as of June 30, 2023, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 24, 2024

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## **Management Discussion and Analysis**

### **For the Fiscal Year Ended June 30, 2023**

The discussion and analysis of the Fairport Harbor Exempted Village School District's (the School District) financial performance provides an overall review of the School District's financial activities for the year ended June 30, 2023. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for 2023 are:

- Net position of governmental activities increased by \$3,719,747. The increase is mainly attributed to the grant money received from the State of Ohio for the School District's building project which commenced during fiscal year 2023.
- General revenues accounted for \$10,351,893 of all revenues or 86.69 percent of all receipts. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$1,589,881 or 13.31 percent of total revenues of \$11,941,774.
- The School District had \$8,222,027 in expenditures related to governmental activities; \$1,589,881 of these expenditures was offset by program specific charges for services and operating grants and contributions.
- The General Fund had \$8,630,947 in revenues (includes other financing sources) and \$7,600,193 (includes other financing uses) in expenditures. The General Fund's balance increased to \$4,590,634 from fiscal year 2022 balance of \$3,559,880.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in one column. In the case of the School District, the General Fund and Classroom Facilities are the most significant funds.

## **Management Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2023**

### ***Reporting the School District as a Whole***

#### *Statement of Net Position and Statement of Activities*

While this document contains information about the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2023?” The Statement of Net Position and Statement of Activities answer this question. These statements include all non-fiduciary assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School District’s *net position* and changes in that net position. This change in net position is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District’s property tax base, current property tax laws in Ohio restricting receipts growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Position and Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District’s programs and services are reported including, but not limited to, instruction, supporting services, operating of non-instructional services, and extracurricular activities.

### ***Reporting the School District’s Most Significant Funds***

#### *Fund Financial Statements*

The analysis of the School District’s major funds begins on page 12. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s most significant funds. The School District’s major governmental funds are the General Fund and Classroom Facilities Fund.

*Governmental Funds* All of the School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the modified accrual method of accounting. The governmental fund statements provide a detailed *view* of the School District’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent to finance educational programs. The governmental fund financial statement can be found on pages 17 through 21 of this report.

**Fairport Harbor Exempted Village School District, Lake County**

**Management Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2023**

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District’s net position for 2023 and 2022.

**Table 1- Net Position**

	Governmental Activities	
	2023	2022
<b>ASSETS</b>		
Current and other assets	\$ 16,595,015	\$ 7,780,310
Capital assets, net	2,128,446	552,185
Net OPEB Asset	655,172	505,364
<b>Total Assets</b>	<b>19,378,633</b>	<b>8,837,859</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	1,819,473	1,572,904
OPEB	201,166	203,909
<b>Total Deferred Outflows of Resources</b>	<b>2,020,639</b>	<b>1,776,813</b>
<b>LIABILITIES</b>		
Current and other liabilities	2,122,677	672,011
Long-term liabilities:		
Due within one year	77,040	18,545
Due in more than one year:		
Net Pension Liability	6,420,438	3,538,722
Net OPEB Liability	212,022	251,542
Other Amounts	5,985,142	686,438
<b>Total Liabilities</b>	<b>14,817,319</b>	<b>5,167,258</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes	2,917,644	2,842,317
Pension	1,381,998	4,114,924
OPEB	848,450	776,059
<b>Total Deferred Inflows of Resources</b>	<b>5,148,092</b>	<b>7,733,300</b>
<b>NET POSITION</b>		
Net investment in capital assets	345,643	552,185
Restricted	3,067,195	603,725
Unrestricted	(1,978,977)	(3,441,796)
<b>Total Net Position</b>	<b>\$ 1,433,861</b>	<b>\$ (2,285,886)</b>

The net pension liability (NPL), net OPEB liability (NOL), and net OPEB asset are reported pursuant to GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27” GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District’s actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and net OPEB asset.

## **Management Discussion and Analysis**

### **For the Fiscal Year Ended June 30, 2023**

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability/asset to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability.

In addition, the School District does not have a claim for the net OPEB asset, but rather a required disclosure. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability/asset, respectively, not accounted for as deferred inflows/outflows.

**Fairport Harbor Exempted Village School District, Lake County**

**Management Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2023**

Over time, net position can serve as a useful indicator of a government’s financial position. At June 30, 2023, the School District’s assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,433,861. Total Assets increased from \$8,837,859 in fiscal year 2022 to \$19,378,633, which is an increase of \$10,540,774, or 119.27 percent. This increase was mainly attributed to the bond issuance and related commencement of the School District’s building project. Current and other liabilities increased from \$672,011 to \$2,122,677, which is an increase of \$1,450,666, or 215.87 percent. This was a result of payables that were incurred from the school building project at year-end.

The changes in Net OPEB Asset, Net Pension Liability, Net OPEB Liability, Deferred Outflows of Resources, and Deferred Inflows of Resources related to Pension and OPEB are related GASB 68 and GASB 75 changes that occurred during fiscal year 2023.

The table presented below is necessary to show the School District’s Net position without the implementation of GASB 68 and GASB 75:

**Table 2 - Net Position excluding GASB 68 & 75**

Total Net Position including GASB 68 and GASB 75	\$	1,433,861
Add:		
Net Pension Liability		6,420,438
Net OPEB Liability		212,022
Deferred Inflows - Pension		1,381,998
Deferred Inflows - OPEB		848,450
Less:		
Deferred Outflows - Pension		1,819,473
Deferred Outflows - OPEB		201,166
Net OPEB Asset		655,172
<b>Total Net Position without GASB 68 and GASB 75</b>	<b>\$</b>	<b><u>7,620,958</u></b>

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**Fairport Harbor Exempted Village School District, Lake County**

**Management Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2023**

Table 3 shows the changes in net position for fiscal year 2023 and 2022 for governmental activities.

**Table 3- Changes in Net Position**

	Governmental Activities	
	2023	2022
<b>REVENUES</b>		
Program Revenues:		
Charges for Services	\$ 215,192	\$ 258,347
Operating Grants and Contributions	1,374,689	1,393,060
Capital grants and contributions	-	183,960
<b>Total Program Revenues</b>	<b>1,589,881</b>	<b>1,835,367</b>
General Revenues:		
Property Taxes	3,193,346	2,995,821
Grants and Entitlements		
Not Restricted to Specific Programs	4,455,600	4,311,936
Restricted for OFCC Project	2,233,138	-
Investment Income	378,935	10,085
All Other Revenues	90,874	79,830
<b>Total General Revenues</b>	<b>10,351,893</b>	<b>7,397,672</b>
<b>Total Revenues</b>	<b>11,941,774</b>	<b>9,233,039</b>
<b>EXPENSES</b>		
Program Expenses:		
Instruction:		
Regular	3,208,621	2,724,725
Special	1,463,470	1,125,371
Other	100,802	105,829
Supporting Services:		
Pupils	576,714	474,117
Instructional Staff	323,931	250,639
Board of Education	81,817	76,790
Administration	675,675	754,436
Fiscal Services	243,485	171,751
Operation and Maintenance of Plant Services	493,619	520,161
Pupil Transportation	96,614	34,081
Central	51,188	58,571
Operation of Non-Instructional Services		
Food Services	10,172	17,248
Other Non-Instructional Services	29,171	18,045
Extracurricular Activities	408,122	289,368
Interest and Fiscal Charges	458,626	238
<b>Total Expenses</b>	<b>8,222,027</b>	<b>6,621,370</b>
Change in Net Position	3,719,747	2,611,669
Net Position - Beginning of Year	(2,285,886)	(4,897,555)
<b>Net Position - End of Year</b>	<b>\$ 1,433,861</b>	<b>\$ (2,285,886)</b>

**Management Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2023**

*Governmental Activities*

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall receipts generated by the levy will not increase as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and its value was increased to \$200,000 (and this inflationary increase in value is comparable to other property owners), the effective tax rate would become .5 mills and the owner would still pay \$35.00.

The primary source of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 82.75 percent of total governmental revenue. Overall revenues increased \$2,708,735 or 29.34% when compared to 2022. This increase is mainly attributed to grants and entitlements restricted for Ohio Facilities Construction Commission. Investment income increased \$368,850 or 3,657.41 percent due to interest rate rising during the fiscal year.

In order to better understand the changes in program expenses in 2023 as compared to 2022, see Table 4 below for analysis of program expenses that have removed all expenses related to GASB Statement No. 68 and 75. See Notes 11 and 12 for more information regarding net pension liability and net OPEB liability/asset and the related pension expense.

The table below presents the District's change in program expenses excluding GASB 68 and GASB 75 for fiscal years 2023 and 2022.

**Table 4 - Changes in Program Expenses excluding GASB 68 and GASB 75**

<b>EXPENSES</b>	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>%</b>
Program Expenses:				
Instruction:				
Regular	\$ 3,275,587	\$ 3,098,402	\$ 177,185	5.72%
Special	1,509,274	1,285,849	223,425	17.38%
Other	100,802	105,829	(5,027)	-4.75%
Supporting Services:				
Pupils	586,543	529,368	57,175	10.80%
Instructional Staff	323,931	250,639	73,292	29.24%
Board of Education	84,380	79,967	4,413	5.52%
Administration	708,263	849,707	(141,444)	-16.65%
Fiscal Services	243,485	171,751	71,734	41.77%
Operation and Maintenance of Plant Services	527,438	584,152	(56,714)	-9.71%
Pupil Transportation	96,614	34,081	62,533	183.48%
Central	52,652	61,581	(8,929)	-14.50%
Operation of Non-Instructional Services:				
Food Services	11,333	23,837	(12,504)	-52.46%
Other Non-Instructional Services	604	18,045	(17,441)	-96.65%
Extracurricular Activities	425,901	333,975	91,926	27.52%
Interest and Fiscal Charges	458,626	238	458,388	192600.00%
<b>Total Expenses</b>	<b>\$ 8,405,433</b>	<b>\$ 7,427,421</b>	<b>\$ 978,012</b>	<b>13.17%</b>

**Fairport Harbor Exempted Village School District, Lake County**

**Management Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2023**

The total program expenses increased by \$978,012 or 13.17 percent, from 2022 to 2023. The largest increase is interest and fiscal charges in the amount of \$458,388. This increase was due to the issuance of bonds and first payments made during 2023.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and state grants and entitlements.

**Table 5 - Total and Net Cost of Program Services**

	Governmental Activities			
	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2023	2022	2023	2022
Instruction	\$ 4,772,893	\$ 3,955,925	\$ 3,744,520	\$ 2,858,918
Supporting Services:				
Pupils and Instructional Staff	900,645	724,756	529,336	111,293
Board of Education, Administration, Fiscal Services and Business	1,000,977	1,002,977	1,000,957	981,335
Operation and Maintenance of Plant Services	493,619	520,161	404,370	503,277
Pupil Transportation	96,614	34,081	78,471	7,421
Central	51,188	58,571	51,188	58,571
Operation of Non-Instructional Services	39,343	35,293	39,343	32,862
Extracurricular Activities	408,122	289,368	325,335	232,088
Interest and Fiscal Charges	458,626	238	458,626	238
<b>Total Cost of Services</b>	<b>\$ 8,222,027</b>	<b>\$ 6,621,370</b>	<b>\$ 6,632,146</b>	<b>\$ 4,786,003</b>

The dependence upon tax and other general revenues for governmental activities is apparent as 78.45 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support covers 80.66 percent of total expenses. The School District's taxpayers, as a whole, are the primary support for the School District's students.

**Financial Analysis of the Government's Funds**

The School District's governmental funds reported a combined fund balance of \$11,443,005, which is a higher balance than last year's combined fund balance of \$3,991,943. The table below indicates the fund balance and the total change in fund balance as of June 30, 2023 and 2022

	Fund Balance June 30, 2023	Fund Balance June 30, 2022	Change	% Change
General	\$ 4,590,634	\$ 3,559,880	\$ 1,030,754	28.95%
Classroom Facilities	4,499,223	-	4,499,223	100.00%
Other Governmental	2,353,148	432,063	1,921,085	444.63%
<b>Total</b>	<b>\$ 11,443,005</b>	<b>\$ 3,991,943</b>	<b>\$ 7,451,062</b>	<b>186.65%</b>



**Fairport Harbor Exempted Village School District, Lake County**

**Management Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2023**

**General Fund**

The table that follows assists in illustrating the financial activities and fund balance of the General Fund.

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>Change</u>	<u>% Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,926,807	\$ 2,812,585	\$ 114,222	4.06%
Interest	183,712	10,085	173,627	1721.64%
Intergovernmental	5,179,266	4,928,207	251,059	5.09%
Other Revenues	224,853	288,238	(63,385)	-21.99%
<b>Total Revenues</b>	<b><u>\$ 8,514,638</u></b>	<b><u>\$ 8,039,115</u></b>	<b><u>\$ 475,523</u></b>	<b>5.92%</b>
<b><u>Expenditures</u></b>				
Instruction	\$ 4,267,472	\$ 3,803,062	\$ 464,410	12.21%
Supporting Services	2,699,538	2,240,930	458,608	20.47%
Operation of Non-Instructional	35,729	36,218	(489)	-1.35%
Extracurricular Activities	240,731	203,754	36,977	18.15%
Debt Service	19,296	24,188	(4,892)	-20.22%
<b>Total Expenditures</b>	<b><u>\$ 7,262,766</u></b>	<b><u>\$ 6,308,152</u></b>	<b><u>\$ 954,614</u></b>	<b>15.13%</b>

The School District's General Fund balance increased by \$1,030,754. The increase was the result of increases in property taxes and rising interest rates creating higher interest income.

**Classroom Facilities**

Classroom Facilities has a fund balance of \$4,499,223 at fiscal year-end. The balance was due to the issuance of the bonds and OFCC drawdowns for the building project during the first year of the project.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2023, the School District made amendments to its general fund budget. Possible fluctuations among the budget base expenditure categories are due to the School District site-based style of budgeting that is designed to tightly control expenditures but provide flexibility for managers to redirect funds as conditions develop during the year.

For the General Fund, the original budget basis revenues of \$8,326,741 (including other financing sources) was increased in the final budget basis revenues to \$8,638,084. Actual revenues were slightly lower at \$8,611,867. The original appropriations (including other financing uses) were \$7,604,228 and was subsequently decreased to \$7,609,925 for the final appropriations (including other financing uses). Final expenditures matched the final appropriations at \$7,609,924.

**Management Discussion and Analysis**

**For the Fiscal Year Ended June 30, 2023**

**Capital Assets**

At the end of fiscal year 2023, the School District had \$2,128,446 invested in Land, Construction in progress, Intangible right-to-use lease - equipment, buildings and improvements, furniture and equipment, and vehicles in governmental activities.

Table 4 shows fiscal year 2023 balances compared to 2022:

**Table 4 - Capital Assets (Net of Accumulated Depreciation/Amortization)**

	Governmental Activities	
	2023	2022
Land	\$ 134,000	\$ -
Construction in progress	1,433,580	-
Intangible right-to-use Lease - Equipment	98,863	-
Furniture and equipment	442,824	528,532
Vehicles	19,179	23,653
<b>Total Capital Assets</b>	<b>\$ 2,128,446</b>	<b>\$ 552,185</b>

Overall, the capital assets increased by \$1,576,261 when compared to 2022 capital asset balances. The primary increase is due to the School District starting the School Building Project. See Note 9 for additional information on capital assets.

**Debt**

At June 30, 2023, the School District had \$5,100,023 in outstanding debt due to a General Obligation Bond issuance and an inception of a lease payable. Table 5 summarizes the School District's debt outstanding.

**Table 5 - Outstanding Debt at Year End**

	Governmental Activities	
	2023	2022
General Obligation Bonds	\$ 5,000,000	\$ -
Leases Payable	100,023	-
<b>Total Outstanding Debt</b>	<b>\$ 5,100,023</b>	<b>\$ -</b>

See Notes 13 for additional information on the School District's long-term debt activity.

**Economic Factors**

The School District is dependent on its local taxpayers. Based on the current financial information, even with the budget cuts enacted for fiscal year 2021, and the continued evaluation of current programs and staffing levels, the School District will continue to monitor revenues and expenditures in order to maintain financial stability.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Sherry Williamson, Treasurer at Fairport Harbor Exempted Village School District, 329 Vine Street, Fairport Harbor, Ohio 44077 or email at swilliamson@fhevs.org

Fairport Harbor Exempted Village School District, Lake County

Statement of Net Position

June 30, 2023

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 13,324,810
Property Taxes Receivable	3,192,063
Intergovernmental Receivable	78,142
Nondepreciable Capital Assets	1,567,580
Depreciable/Amortized Capital Assets, Net	560,866
Net OPEB Asset	655,172
<b>Total Assets</b>	<u>19,378,633</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	1,819,473
OPEB	201,166
<b>Total Deferred Outflows of Resources</b>	<u>2,020,639</u>
<b>LIABILITIES</b>	
Accounts Payable	29,607
Contracts Payable	1,407,162
Accrued Wages and Benefits	542,146
Intergovernmental Payable	122,767
Accrued Interest Payable	20,995
Long-term Liabilities:	
Due within one year	77,040
Due in more than one year:	
Net Pension Liability (See Note 11)	6,420,438
Net OPEB Liability (See Note 12)	212,022
Other Amounts	5,985,142
<b>Total Liabilities</b>	<u>14,817,319</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes	2,917,644
Pension	1,381,998
OPEB	848,450
<b>Total Deferred Inflows of Resources</b>	<u>5,148,092</u>
<b>NET POSITION</b>	
Investment in Capital Assets	345,643
Restricted:	
Capital Projects	2,421,723
Debt Service	207,646
Student Activities	46,172
Scholarships	10,239
Endowment	10,000
Federally Funded Programs	735
Food Service	25,816
Safety and Security	283,073
Other Purposes	61,791
Unrestricted	(1,978,977)
<b>Total Net Position</b>	<u>\$ 1,433,861</u>

See accompanying notes to the basic financial statements.

**Fairport Harbor Exempted Village School District, Lake County**

**Statement of Activities**

**For the Fiscal Year Ended June 30, 2023**

		<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 3,208,621	\$ 132,405	\$ 89,738	\$ (2,986,478)
Special	1,463,470	-	805,933	(657,537)
Other	100,802	-	-	(100,802)
Supporting Services:				
Pupils	576,714	-	347,191	(229,523)
Instructional Staff	323,931	-	24,118	(299,813)
Board of Education	81,817	-	-	(81,817)
Administration	675,675	-	20	(675,655)
Fiscal Services	243,485	-	-	(243,485)
Operation and Maintenance of Plant Services	493,619	-	89,249	(404,370)
Pupil Transportation	96,614	-	18,143	(78,471)
Central	51,188	-	-	(51,188)
Operation of Non-Instructional Services	39,343	-	-	(39,343)
Extracurricular Activities	408,122	82,787	-	(325,335)
Interest and Fiscal Charges	458,626	-	-	(458,626)
<b>Total Governmental Activities</b>	<u>\$ 8,222,027</u>	<u>\$ 215,192</u>	<u>\$ 1,374,689</u>	<u>(6,632,146)</u>
 <b>General Revenues:</b>				
Property Taxes levied for:				
General Purposes				2,939,143
Debt Service				217,339
Capital Outlay				25,410
Classroom Facilities				11,454
Grants & Entitlements Not Restricted to Specific Programs				4,455,600
Grants & Entitlements Restricted to OFCC Project				2,233,138
Investment Income				378,935
All Other Revenues				90,874
<b>Total General Revenues</b>				<u>10,351,893</u>
Change in Net Position				3,719,747
Net Position - Beginning of Year				<u>(2,285,886)</u>
<b>Net Position - End of Year</b>				<u>\$ 1,433,861</u>

See accompanying notes to the basic financial statements.

**Fairport Harbor Exempted Village School District, Lake County**

**Balance Sheet  
Governmental Funds  
June 30, 2023**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 5,005,869	\$ 5,881,892	\$ 2,437,049	\$ 13,324,810
Interfund Receivable	5,028	-	-	5,028
Intergovernmental Receivable	7,778	-	70,364	78,142
Property Taxes Receivable	2,877,716	-	314,347	3,192,063
<b>Total Assets</b>	<b>\$ 7,896,391</b>	<b>\$ 5,881,892</b>	<b>\$ 2,821,760</b>	<b>\$ 16,600,043</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 29,607	\$ -	\$ -	\$ 29,607
Contracts Payable	-	1,382,669	24,493	1,407,162
Accrued Wages and Benefits	478,660	-	63,486	542,146
Intergovernmental Payable	110,838	-	11,929	122,767
Interfund Payable	-	-	5,028	5,028
<b>Total Liabilities</b>	<b>619,105</b>	<b>1,382,669</b>	<b>104,936</b>	<b>2,106,710</b>
<b>Deferred Inflows of Resources:</b>				
Property Taxes	2,642,997	-	274,647	2,917,644
Unavailable Revenue - Delinquent Property Taxes	43,655	-	18,665	62,320
Unavailable Revenue - Grants	-	-	70,364	70,364
<b>Total Deferred Inflows of Resources</b>	<b>2,686,652</b>	<b>-</b>	<b>363,676</b>	<b>3,050,328</b>
<b>Fund Balances:</b>				
Nonspendable	1,547	-	-	1,547
Restricted	-	4,499,223	1,927,467	6,426,690
Committed	12,205	-	500,000	512,205
Assigned	176,785	-	-	176,785
Unassigned (Deficit)	4,400,097	-	(74,319)	4,325,778
<b>Total Fund Balances</b>	<b>4,590,634</b>	<b>4,499,223</b>	<b>2,353,148</b>	<b>11,443,005</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 7,896,391</b>	<b>\$ 5,881,892</b>	<b>\$ 2,821,760</b>	<b>\$ 16,600,043</b>

See accompanying notes to the basic financial statements.

**Fairport Harbor Exempted Village School District, Lake County**

**Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities  
Governmental Funds  
June 30, 2023**

<b>Total Governmental Fund Balances</b>	\$ 11,443,005
<i>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</i>	
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds	2,128,446
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:	
Delinquent property taxes	\$ 62,320
Intergovernmental grants	<u>70,364</u>
	132,684
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, as interest expenditure is reported when due	(20,995)
The net pension liability and net OPEB liability are not due and payable in the current period; and the net OPEB asset is not available for spending in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in the governmental funds:	
Deferred Outflows - Pension	1,819,473
Deferred Inflows - Pension	(1,381,998)
Net Pension Liability	(6,420,438)
Net OPEB Asset	655,172
Deferred Outflows - OPEB	201,166
Deferred Inflows - OPEB	(848,450)
Net OPEB Liability	<u>(212,022)</u>
Total	(6,187,097)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds	(5,000,000)
Leases payable	(100,023)
Unamortized debt premium	(273,628)
Compensated absences	<u>(688,531)</u>
Total	<u>(6,062,182)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 1,433,861</u></u>

See accompanying notes to the basic financial statements.

**Fairport Harbor Exempted Village School District, Lake County**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2023**

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,926,807	\$ -	\$ 293,432	\$ 3,220,239
Intergovernmental	5,179,266	2,233,138	730,981	8,143,385
Interest	183,712	144,798	50,425	378,935
Tuition	127,845	-	-	127,845
Extracurricular Activities	595	-	82,192	82,787
Contributions and Donations	980	-	33,525	34,505
Classroom Materials and Fees	4,560	-	-	4,560
Miscellaneous	90,873	-	-	90,873
<b>Total Revenues</b>	<b>8,514,638</b>	<b>2,377,936</b>	<b>1,190,555</b>	<b>12,083,129</b>
<b>EXPENDITURES</b>				
Current:				
Instruction:				
Regular	3,135,682	-	81,576	3,217,258
Special	1,030,988	-	463,047	1,494,035
Other	100,802	-	-	100,802
Supporting Services:				
Pupils	548,769	-	32,908	581,677
Instructional Staff	236,563	-	50,287	286,850
Board of Education	84,380	-	-	84,380
Administration	878,459	-	-	878,459
Fiscal Services	243,485	-	-	243,485
Operation and Maintenance of Plant Services	567,111	-	78,861	645,972
Pupil Transportation	82,849	-	13,765	96,614
Central	57,922	-	-	57,922
Operation of Non-Instructional Services:				
Food Service Operations	7,162	-	-	7,162
Community Services	-	-	604	604
Other Operations	28,567	-	-	28,567
Extracurricular Activities	240,731	-	170,019	410,750
Capital Outlay	-	1,408,935	24,615	1,433,550
Debt Service:				
Principal Retirement	16,286	-	-	16,286
Interest and Fiscal Charges	3,010	-	169,363	172,373
Issuance Costs	-	-	271,250	271,250
<b>Total Expenditures</b>	<b>7,262,766</b>	<b>1,408,935</b>	<b>1,356,295</b>	<b>10,027,996</b>
<b>Excess of Revenues Over(Under) Expenditures</b>	<b>1,251,872</b>	<b>969,001</b>	<b>(165,740)</b>	<b>2,055,133</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Inception of Leases Payable	116,309	-	-	116,309
Proceeds from Debt Issued	-	3,530,222	1,469,778	5,000,000
Premium on Debt Issued	-	-	279,620	279,620
Transfers In	-	-	337,427	337,427
Transfers Out	(337,427)	-	-	(337,427)
<b>Total Other Financing Sources (Uses)</b>	<b>(221,118)</b>	<b>3,530,222</b>	<b>2,086,825</b>	<b>5,395,929</b>
Net Change in Fund Balances	1,030,754	4,499,223	1,921,085	7,451,062
Fund Balances - Beginning of Year	3,559,880	-	432,063	3,991,943
<b>Fund Balances - End of Year</b>	<b>\$ 4,590,634</b>	<b>\$ 4,499,223</b>	<b>\$ 2,353,148</b>	<b>\$ 11,443,005</b>

See accompanying notes to the basic financial statements.

**Fairport Harbor Exempted Village School District, Lake County**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
Governmental Funds  
For the Fiscal Year Ended June 30, 2023**

**Net Change in Fund Balances-Total Governmental Funds** \$ 7,451,062

*Amounts reported for Governmental Activities in the Statement of Activities  
are different because:*

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which capital outlay exceeded depreciation/amortization in the current period.

Capital outlay	\$ 1,702,418	
Depreciation/amortization	<u>(126,157)</u>	
Total		1,576,261

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes	(26,893)	
Intergovernmental grants	<u>(114,462)</u>	
Total		(141,355)

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of bonds and leases payable. (5,116,309)

Repayment of debt principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position. 16,286

Contractually required contributions are reported as expenditures in the Governmental Funds; however, the Statement of Net Position reports these amounts as deferred outflows.

Pension	571,508	
OPEB	<u>11,151</u>	
Total		582,659

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability and net OPEB asset are reported as pension/OPEB expense in the Statement of Activities.

Pension	(473,729)	
OPEB	<u>103,043</u>	
Total		(370,686)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.

Compensated absences	16,452	
Accrued interest	(20,995)	
Amortization of debt premiums	<u>(273,628)</u>	
Total		<u>(278,171)</u>

**Change in Net Position of Governmental Activities** \$ 3,719,747

See accompanying notes to the basic financial statements.



**Fairport Harbor Exempted Village School District, Lake County**

**Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Budget (Non-GAAP Basis) and Actual – General Fund  
For the Fiscal Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,900,994	\$ 3,009,627	\$ 2,959,627	\$ (50,000)
Intergovernmental	4,997,714	5,184,863	5,184,863	-
Interest	154,156	159,929	183,712	23,783
Tuition	123,230	127,845	127,845	-
Classroom Materials and Fees	3,933	4,080	4,080	-
Miscellaneous	134,208	139,234	139,234	-
<b>Total Revenues</b>	<b>8,314,235</b>	<b>8,625,578</b>	<b>8,599,361</b>	<b>(26,217)</b>
<b>Expenditures</b>				
Current:				
Instruction				
Regular	3,191,443	3,164,480	3,136,532	27,948
Special	1,036,259	1,027,566	1,024,723	2,843
Other	120,995	120,126	102,322	17,804
Supporting Services				
Pupils	543,554	538,967	537,591	1,376
Instructional Staff	257,706	255,566	253,133	2,433
Board of Education	86,015	85,287	84,674	613
Administration	798,717	792,005	794,287	(2,282)
Fiscal Services	260,652	258,552	284,039	(25,487)
Operation and Maintenance of Plant Services	612,950	608,100	635,394	(27,294)
Pupil Transportation	84,454	83,740	82,849	891
Central	58,816	58,318	58,448	(130)
Operation of Non-Instructional Services	7,375	7,313	7,235	78
Extracurricular Activities	244,036	241,976	240,768	1,208
<b>Total Expenditures</b>	<b>7,302,972</b>	<b>7,241,996</b>	<b>7,241,995</b>	<b>1</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,011,263</b>	<b>1,383,582</b>	<b>1,357,366</b>	<b>(26,216)</b>
<b>Other Financing Sources (Uses)</b>				
Refund of Prior Year Expenditures	712	712	712	-
Advances In	11,794	11,794	11,794	-
Advances Out	(10,025)	(5,028)	(5,028)	-
Transfers Out	(291,231)	(362,901)	(362,901)	-
<b>Total Other Financings Sources (Uses)</b>	<b>(288,750)</b>	<b>(355,423)</b>	<b>(355,423)</b>	<b>-</b>
Net Change in Fund Balance	722,513	1,028,159	1,001,943	(26,216)
Fund Balance - Beginning of Year	3,701,179	3,701,179	3,701,179	-
Prior Year Encumbrances Appropriated	96,568	96,568	96,568	-
<b>Fund Balance - End of Year</b>	<b>\$ 4,520,260</b>	<b>\$ 4,825,906</b>	<b>\$ 4,799,690</b>	<b>\$ (26,216)</b>

See accompanying notes to the basic financial statements.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023**

NOTE 1: **REPORTING ENTITY**

Fairport Harbor Exempted Village School District (the “School District”) is organized under Article VI, Section 2 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by state statute and federal guidelines.

The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms and provides educational services as mandated by State or federal agencies. The Board controls the School District’s two educational facilities consisting of one elementary (K-5) and one high school (6-12).

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading.

**A. Primary Government**

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

**B. Component Units**

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District and are significant in amount to the School District. The School District has no component units.

The School District is associated with three jointly governed organizations, a claims servicing pool, a related organization and an insurance purchasing pool. These organizations are the Lake Geauga Computer Association, the Auburn Vocational School District, the Ohio Schools Council, Lake County School Council, the Fairport Harbor Public Library and the Ohio School Boards’ Association Workers’ Compensation Group Rating Program which are presented in Notes 18, 19, 20 and 21 to the basic financial statements.

The School District’s management believes these financial statements present all activities for which the School District is financially accountable.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described on the following pages.

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the financial condition of the governmental activities of the School District at fiscal year-end. The government-wide statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, operating and/or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** Fund financial statements are designed to present financial information of the School District at this more detailed level. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The School District's only proprietary fund is classified as an enterprise funds and is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by fund type.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories of governmental, proprietary, and fiduciary.

***Governmental Funds*** Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following is the School District's major fund:

***General Fund*** - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Classroom Facilities*** – The Classroom Facilities Fund is used to account for monies received and expended in connection with contracts entered in to by the school district and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned to a particular purpose.

***Fiduciary Funds*** - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The School District's fiduciary funds are custodial funds, which are used to account for fees paid to OHSAA. The custodial fund did not have a cash balance or activity during and as of fiscal year 2023.

**C. Measurement Focus**

***Governmental-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the School District are included on the Statement of Net Position. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

## Notes to the Basic Financial Statements

### For the Fiscal Year Ended June 30, 2023 (Continued)

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### C. Measurement Focus (Continued)

***Fund Financial Statements*** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources along with current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

##### D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. The proprietary funds and the fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

***Revenues – Exchange and Non-exchange Transactions*** Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, grants, investment earnings, tuition, extracurricular activities, contributions and donations, and classroom materials and fees.

## Notes to the Basic Financial Statements

### For the Fiscal Year Ended June 30, 2023 (Continued)

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### D. Basis of Accounting (Continued)

*Deferred Outflows/Inflows of Resources* In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Note 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2023, but which were levied to finance fiscal year 2024 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position and are explained further in Notes 11 and 12.

*Expenditures/Expenses* On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the statement of revenues, expenditures, and changes in fund balances as an expenditure with a like amount reported as an intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

##### E. Cash and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the School District’s cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra receipts), respectively.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

E. **Cash and Investments** (Continued)

During fiscal year 2023, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For the fiscal year 2023, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2023 was \$183,712, which includes \$40,887 assigned from other District funds.

F. **Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The School District did not have any restricted assets as of June 30, 2023.

G. **Inventory**

Inventories of supplies of the governmental funds are stated at cost while inventories held for resale are reported at lower of cost or market. For all funds, cost is determined on a first-in, first-out basis and expended/expensed when used. The School District did not have any Inventory at June 30, 2023.

H. **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2023 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed. The School District did not have a Prepaid Items at June 30, 2023.

I. **Capital Assets**

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the fund financial statements.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

I. **Capital Assets** (Continued)

All capital assets are capitalized/amortized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The School District maintains a capitalization threshold of five thousand dollars (\$5,000). The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except for construction in progress are depreciated/amortized. Improvements are depreciated over the remaining useful lives of the related capital asset. Depreciation/amortization is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Intangible right-to-use Lease - Equipment	5 years
Buildings and Improvements	10-40 years
Furniture and Equipment	5-15 years
Vehicle	5-15 years

J. **Interfund Receivables/Payables**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the statement of net position.

K. **Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The liability is an estimate based on the School District's past experience making termination payments. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified, certified, and administrative employees within the School District.

The entire compensated absence liability is reported on the government-wide financial statements. On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements.

These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund or funds from which the employees who have accumulated the leave are paid. The School District did not have Matured compensated absences payable at June 30, 2023.



**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

L. **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from the internal service fund is reported on the internal service fund's financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Financed Purchases Payable and Lease Payable obligations are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

M. **Net Position**

Net position represents the difference between assets and deferred outflows of resources compared to liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

N. **Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance classification includes amounts that cannot be spent because they are not spendable in form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

## Notes to the Basic Financial Statements

### For the Fiscal Year Ended June 30, 2023 (Continued)

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### N. Fund Balance (Continued)

*Committed* The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District's Board of Education. Those committed amounts cannot be used for any other purpose unless the School District's Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by the School District's Board of Education.

*Unassigned* Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In the other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

##### O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are for the self-insurance program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

##### P. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

##### Q. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. As of June 30, 2023, there were no extraordinary or special items.

**S. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than custodial funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate the Board appropriations to the function and object levels.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

***Tax Budget*** Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Lake County Budget Commission for rate determination.

***Estimated Resources*** Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted.

The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2023.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

S. **Budgetary Data** (Continued)

***Appropriations*** Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certification saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any legal level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statement reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

***Encumbrances*** As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as part of the respective fund balance classification for subsequent year expenditures for governmental funds. Encumbrances outstanding at year end are not reported on government-wide financial statements.

***Lapsing of Appropriations*** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

T. **Pensions/Other Postemployment Benefits (OPEB)**

For purposes of measuring the net pension/OPEB liability, net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES**

During the fiscal year, the School District implemented the following Governmental Accounting Standards Board (GASB) Statements and Guides:

GASB Implementation Guide 2021-1 provides clarification on issues related to previously established GASB guidance. These changes were incorporated in the School District's financial statements; however, there was no effect on the beginning net position/fund balance.

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The implementation of this Statement did not have an effect on the financial statements of the School District.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The implementation of this Statement did not have an effect on the financial statements of the School District.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. These changes were incorporated in the School District's financial statements. The implementation of this Statement did not have an effect on the financial statements of the School District.

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of this Statement did not have an effect on the financial statements of the School District.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

**NOTE 4: BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) - for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budgetary basis and GAAP basis are that:

1. Revenues are recorded when received in cash (Budgetary basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (Budgetary basis) as opposed to when the liability is incurred (GAAP basis);
3. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
4. Encumbrances are treated as expenditures (Budgetary basis) rather than as a part of restricted, committed, and assigned fund balances (GAAP basis); and
5. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (Budgetary basis).

The following table summarizes the adjustments necessary to reconcile the GAAP and Budgetary basis statements for the general fund:

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$ 1,080,754
Net Adjustment for Revenue Accruals	(25,196)
Net Adjustments for Expenditure Accruals	157,760
Advances In	11,794
Advances Out	(5,028)
Funds with Separate Legally Adopted Budgets	4,433
Adjustment for Encumbrances	<u>(172,574)</u>
Budget Basis	<u><u>\$ 1,051,943</u></u>

**NOTE 5: DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies held by the School District can be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association.

All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty (180) days in an amount not to exceed forty (40) percent of the interim monies available for investment at any one time if training requirements have been met; and
9. Under limited circumstances, corporate debt interest rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

**Deposits**

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year-end, the School District’s carrying amount was \$395,703. Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of June 30, 2023, \$250,000 of the School District’s bank balance of \$425,357 was insured by Federal Depository Insurance Corporation (FDIC). The remaining \$175,357 was uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the School District’s name. The amount that was uninsured and collateralized with securities held was greater than the bank balance due to the excess collateral allocated by OPCS at year-end significantly exceeded the required amount.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose fair value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. The School District’s financial institutions were approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System.

**Investments**

As of June 30, 2023, the School District had the following investments:

<u>Investment Type</u>	<u>Net Asset Value</u>	<u>Credit Rating (*)</u>	<u>Investment Maturities (in Years)</u>
STAR Ohio	\$ 12,929,107	AAAm	<1
	<u>\$ 12,929,107</u>		<u>\$ 12,929,107</u>

\* Credit Rating was obtained from Standard & Poor’s for all investments.

The School District has categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**Interest Rate Risk** As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District’s investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District’s investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

**Credit Risk** See the above table for credit ratings for all investments. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.



**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 5: **DEPOSITS AND INVESTMENTS** (Continued)

***Custodial Credit Risk*** For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments other than STAR Ohio are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

***Concentration of Credit Risk*** The School District places no limit on the amount it may invest in any one issuer. The School District's investment STAR Ohio represents all of the School District's total investments.

***Foreign Currency Risk*** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of June 30, 2023, the School District had no exposure to foreign currency risk.

NOTE 6: **PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility tangible personal property (used in business) located in the School District. Real property tax receipts received in calendar 2023 represents collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed value listed as of January 1, 2022, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2023 represents collections of calendar year 2022 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien June 30, 2021, were levied after April 1, 2022 and are collected in 2023 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Lake County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2023, are available to finance fiscal year 2023 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property and public utility property, which are measurable as of June 30, 2023, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows of resources.

The amount available as an advance at June 30, 2023, was \$191,064 in the General Fund, \$2,083 in the Classroom Facilities Maintenance Fund, and \$18,952 in the Debt Service fund.

**Fairport Harbor Exempted Village School District, Lake County**

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 6: **PROPERTY TAXES** (Continued)

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as unavailable revenues within deferred inflows of resources.

The full tax rate at the fiscal year ended 2023 was \$89.14 per \$1,000 of assessed valuation. The assessed values of real and public utility property on which the fiscal year 2023 taxes was collected are as follows:

	2022 2nd Half Collection		2023 1st Half Collection	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 64,224,290	92.68%	\$ 64,992,510	92.75%
Public Utility Personal	4,836,750	7.32%	5,077,720	7.25%
Total	<u>\$ 69,061,040</u>	<u>100.00%</u>	<u>\$ 70,070,230</u>	<u>100.00%</u>

NOTE 7: **RECEIVABLES**

Receivables at June 30, 2023, consisted of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds. All receivables are expected to be collected within one year. The School District had \$3,192,063 and \$78,142 in Property Taxes Receivable and Intergovernmental Receivables.

NOTE 8: **INTERFUND TRANSACTIONS**

A. **Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2023, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 5,028

On the fund financial statements, the general fund reported an interfund receivable and the nonmajor governmental funds reported interfund payables of \$5,028. The general fund provided loans to the nonmajor governmental funds to provide short-term funding of operations for federal grants. The general fund covered the cash deficits in the nonmajor governmental funds until funds are received from the grantor. The School District anticipates receiving reimbursements from the grantor shortly after year-end.

B. **Interfund Transfers**

During fiscal year 2023, the general fund transferred \$250,000 to the Capital Projects Fund to begin work on the School District's new building project, \$86,917 to the district managed student activity fund to subsidize services provided, and \$510 to student managed activities.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 337,427

**Fairport Harbor Exempted Village School District, Lake County**

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 9: **CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

<u>Governmental Activities:</u>	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2023</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ -	\$ 134,000	\$ -	\$ 134,000
Construction in progress	-	1,433,580	-	1,433,580
Total capital assets, not being depreciated	<u>-</u>	<u>1,567,580</u>	<u>-</u>	<u>1,567,580</u>
<i>Capital assets, being depreciated/amortized:</i>				
Intangible right-to-use Lease - Equipment	23,098	116,309	(23,098)	116,309
Buildings and improvements	7,563,375	-	-	7,563,375
Furniture and equipment	1,080,910	16,850	-	1,097,760
Vehicles	41,393	1,679	-	43,072
Total capital assets, being depreciated/amortized	<u>8,708,776</u>	<u>134,838</u>	<u>(23,098)</u>	<u>8,820,516</u>
<u>Less: accumulated depreciation/amortization:</u>				
Intangible right-to-use Lease - Equipment	(23,098)	(17,446)	23,098	(17,446)
Buildings and improvements	(7,563,375)	-	-	(7,563,375)
Furniture and equipment	(552,378)	(102,558)	-	(654,936)
Vehicles	(17,740)	(6,153)	-	(23,893)
Total accumulated depreciation/amortization	<u>(8,156,591)</u>	<u>(126,157) *</u>	<u>23,098</u>	<u>(8,259,650)</u>
Total Capital Assets being depreciated/amortized, net	<u>552,185</u>	<u>8,681</u>	<u>-</u>	<u>560,866</u>
Governmental activities capital assets, net	<u>\$ 552,185</u>	<u>\$ 1,576,261</u>	<u>\$ -</u>	<u>\$ 2,128,446</u>

\*Depreciation/Amortization Expense as of June 30, 2023:

Instruction:	
Regular	\$ 27,377
Supporting Services:	
Pupils	479
Instructional Staff	39,746
Administration	18,171
Operation and Maintenance of Plant Services	14,659
Central	4,119
Operational of Non-Instructional Services	4,055
Extracurricular Activities	17,551
Total Depreciation/Amortization Expense	<u>\$ 126,157</u>

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 10: **RISK MANAGEMENT**

A. **Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2023, the School District contracted with various insurance agencies for various types of insurance. Coverage is as follows:

<b>Package Policy</b>	<b>Coverage</b>
<b>Schools of Ohio Risk Sharing Authority Limits</b>	<b>Amounts</b>
Blanket Property Coverage	\$ 36,138,506
Equipment Breakdown - subject to policy limits ( \$1,000 Deductible)	36,138,506
Computer Coverage ( \$1,000 Deductible)	70,000
General Liability Coverage	6,000,000
Sexual Misconduct	4,000,000
Employers Stop Gap Liability	4,000,000
School Leaders E & O Liability Claims Made ( \$2,500 Deductible)	4,000,000
Public Employee Dishonesty Blanket Bond ( \$2,500 Deductible)	100,000
Forgery and Alteration ( \$1,000 Deductible)	100,000
Money and Securities (on premises) ( \$1,000 Deductible)	25,000
Theft Disappearance & Destruction (off premises) ( \$1,000 Deductible)	25,000
<b>Automobile Policy</b>	
<b>Schools of Ohio Risk Sharing Authority</b>	
Auto Liability	\$ 4,000,000
Medical Payments	5,000
Uninsured Motorists Liability	1,000,000
Comp/Collision Deductibles (\$1,000)	

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from the prior year. All employees of the School District are covered by a blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverage.

B. **Employee Medical Coverage**

The School District has elected to provide medical coverage through premium payments to the Lake County School Council Self Insurance Program. See Note 19 for additional information.

C. **Workers' Compensation**

For fiscal year 2023, the School District participated in the Ohio Boards' Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating School Districts is calculated as one experience and a common premium rate is applied to all School Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria. The firm of Comp. Management provides administrative, cost control and actuarial services to the GRP.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 11: **DEFINED BENEFIT PENSION PLAN**

A. **Net Pension Liability**

The net pension liability reported on the Statement of Net Position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

B. **Plan Description - School Employees Retirement System (SERS)**

**Plan Description** –School District non-teaching employees participate in SERS, a cost-sharing, multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information, and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 11: **DEFINED BENEFIT PENSION PLAN** (Continued)

**B. Plan Description - School Employees Retirement System (SERS)** (Continued)

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 60 with 5 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5% and with a floor of 0.0%.

A three-year COLA suspension was in effect for all benefit recipients for calendar years 2018, 2019, and 2020. The Retirement Board approved a 2.5% COLA for calendar year 2022.

**Funding Policy** – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, the allocation to pension, death benefits, and Medicare B was the entire 14.0 percent.

The School District’s contractually required contribution to SERS was \$81,459 for fiscal year 2023. Of this amount \$6,260 is reported as an intergovernmental payable.

**C. Plan Description - State Teachers Retirement System (STRS)**

**Plan Description** –School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing, multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 11: **DEFINED BENEFIT PENSION PLAN** (Continued)

A. **Plan Description - State Teachers Retirement System (STRS)** (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at any age. Eligibility changes for DB plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023 when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all of their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12.0 of the 14.0 percent member rates goes to the DC Plan and the remaining 2.0 percent goes to the DB plan. Member contributions to the DC plan are allocated among investment choices by the member, and contributions to the DB plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options in the GASB 68 schedules of employer allocation and pension amounts by employer.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**Funding Policy** – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2023, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2023 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contributions to STRS was \$490,049 for fiscal year 2022. Of this amount \$90,616 is reported as an intergovernmental payable.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 11: **DEFINED BENEFIT PENSION PLAN** (Continued)

**B. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.0128490%	0.02396883%	
Proportion of the Net Pension Liability			
Current Measurement Date	<u>0.0147096%</u>	<u>0.02530273%</u>	
Change in Proportionate Share	<u>0.0018606%</u>	<u>0.00133390%</u>	
Proportionate Share of the Net Pension			
Liability	\$ 795,610	\$ 5,624,828	\$ 6,420,438
Pension Expense	\$ 13,518	\$ 460,211	\$ 473,729

At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 32,223	\$ 72,007	\$ 104,230
Changes of assumptions	7,850	673,124	680,974
Net difference between projected and actual earnings on pension plan investments	-	195,730	195,730
Changes in proportion and differences between contributions and proportionate share of contributions	69,071	197,960	267,031
School District contributions subsequent to the measurement date	<u>81,459</u>	<u>490,049</u>	<u>571,508</u>
Total Deferred Outflows of Resources	<u>\$ 190,603</u>	<u>\$ 1,628,870</u>	<u>\$ 1,819,473</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 5,222	\$ 21,518	\$ 26,740
Changes of assumptions	-	506,668	506,668
Net difference between projected and actual earnings on pension plan investments	27,763	-	27,763
Changes in proportion and differences between contributions and proportionate share of contributions	<u>25,441</u>	<u>795,386</u>	<u>820,827</u>
Total Deferred Inflows of Resources	<u>\$ 58,426</u>	<u>\$ 1,323,572</u>	<u>\$ 1,381,998</u>



**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 11: **DEFINED BENEFIT PENSION PLAN** (Continued)

**D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

\$571,508 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2024	\$ 12,910	\$ (234,394)	\$ (221,484)
2025	31,331	(245,005)	(213,674)
2026	(39,660)	(275,800)	(315,460)
2027	46,137	570,448	616,585
Total	\$ 50,718	\$ (184,751)	\$ (134,033)

**E. Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022, are presented below:

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
COLA or Ad Hoc COLA	2.0 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 11: **DEFINED BENEFIT PENSION PLAN** (Continued)

C. **Actuarial Assumptions – SERS** (Continued)

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disable members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed June 30, 2020.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategies	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 11: **DEFINED BENEFIT PENSION PLAN** (Continued)

E. **Actuarial Assumptions – SERS** (Continued)

*Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$ 1,171,099	\$ 795,610	\$ 479,265

F. **Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2021, actuarial valuation.

Inflation	2.50 percent
Projected salary increases	Varies by service from 2.5% to 8.5%
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments	0.0 percent

Post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the July 1, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized on the following page:

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 11: **DEFINED BENEFIT PENSION PLAN** (Continued)

F. **Actuarial Assumptions – STRS** (Continued)

Asset Class	Target Allocation *	Long-Term Expected Real Rate of Return **
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	100.00 %	

\* Target allocation percentage is effective as of July 1, 2022. Target weights were phased in over a 3-month period concluding on October 1, 2022.

\*\* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio’s investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00 percent) or one-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net pension liability	\$ 8,497,069	\$ 5,624,828	\$ 3,195,803

**Assumption and Benefit Changes Since the Prior Measurement Date** - Demographic assumptions were changed based on the actuarial experience study for the July 1, 2015, through June 30, 2021. STRS approved a one-time 1.00% cost-of-living adjustment to eligible benefit recipients effective July 1, 2023.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 12: **DEFINED BENEFIT OPEB PLAN**

A. **Net OPEB Liability/Asset**

The net OPEB liability and net OPEB asset reported on the statement of net position represents a liability or asset to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability and net OPEB asset represent the School District’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability and net OPEB asset calculations are dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability and net OPEB asset. Resulting adjustments to the net OPEB liability and net OPEB asset would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 12: **DEFINED BENEFIT OPEB PLAN** (Continued)

**B. Plan Description - School Employees Retirement System (SERS)** (Continued)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, there was no contribution made to health care. A health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The surcharge, is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$11,151 for fiscal year 2023.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 12: **DEFINED BENEFIT OPEB PLAN** (Continued)

**C. Plan Description - State Teachers Retirement System (STRS)**

*Plan Description* – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B monthly reimbursement elimination date was postponed indefinitely. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

*Funding Policy* – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

**D. OPEB Liabilities, OPEB Asset, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The net OPEB liability and net OPEB asset were measured as of June 30, 2022, and the total OPEB liability and asset used to calculate the net OPEB liability and net OPEB asset were determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability and net OPEB asset were based on the District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability/asset			
Prior Measurement Date	0.0132909%	0.02396883%	
Proportion of the Net OPEB Liability/asset			
Current Measurement Date	<u>0.0151011%</u>	<u>0.02530273%</u>	
Change in Proportionate Share	<u>0.0018102%</u>	<u>0.00133390%</u>	
Proportionate Share of the Net OPEB			
Liability/(asset)	\$ 212,022	\$ (655,172)	\$ (443,150)
OPEB Expense	\$ (21,900)	\$ (81,143)	\$ (103,043)

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 12: **DEFINED BENEFIT OPEB PLAN** (Continued)

**D. OPEB Liabilities, OPEB Asset, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 1,783	\$ 9,498	\$ 11,281
Changes of assumptions	33,724	27,908	61,632
Net difference between projected and actual earnings on OPEB plan investments	1,102	11,405	12,507
Changes in proportion and differences between contributions and proportionate share of contributions	52,998	51,597	104,595
School District contributions subsequent to the measurement date	11,151	-	11,151
<b>Total Deferred Outflows of Resources</b>	<u>\$ 100,758</u>	<u>\$ 100,408</u>	<u>\$ 201,166</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 135,623	\$ 98,398	\$ 234,021
Changes of assumptions	87,038	464,582	551,620
Changes in proportion and differences between contributions and proportionate share of contributions	56,315	6,494	62,809
<b>Total Deferred Inflows of Resources</b>	<u>\$ 278,976</u>	<u>\$ 569,474</u>	<u>\$ 848,450</u>

\$11,151 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability and net OPEB asset in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense below:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2024	\$ (44,851)	\$ (113,352)	\$ (158,203)
2025	(54,468)	(136,965)	(191,433)
2026	(38,932)	(71,857)	(110,789)
2027	(25,908)	(30,245)	(56,153)
2028	(14,058)	(38,799)	(52,857)
Thereafter	(11,152)	(77,848)	(89,000)
<b>Total</b>	<u>\$ (189,369)</u>	<u>\$ (469,066)</u>	<u>\$ (658,435)</u>



**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 12: **DEFINED BENEFIT OPEB PLAN** (Continued)

**E. Actuarial Assumptions - SERS**

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2022, are presented below:

Wage Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.69 percent
Prior Measurement Date	1.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	4.08 percent
Prior Measurement Date	2.27 percent
Medical Trend Assumption	7.00 to 4.40 percent
Prior Measurement Date	
Medicare	5.125 to 4.400 percent
Pre-Medicare	6.750 to 4.400 percent

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 12: **DEFINED BENEFIT OPEB PLAN** (Continued)

E. **Actuarial Assumptions – SERS** (Continued)

Base Mortality: Healthy Retirees - PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Disabled Retirees - PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Contingent Survivors - PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5% for males and adjusted 122.5% for females. Actives - PUB-2010 General Amount Weighted Below Median Employee mortality table.

The most recent experience study was completed for the five-year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2015 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 12: **DEFINED BENEFIT OPEB PLAN** (Continued)

E. **Actuarial Assumptions – SERS** (Continued)

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2022 was 2.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 1.50 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination for the SEIR for both the June 30, 2022 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index rate is 3.69% at June 30, 2022 and 1.91% at June 30, 2021.

**Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate (7.00% decreasing to 4.40%).

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
School District's proportionate share of the net OPEB liability	\$ 263,333	\$ 212,022	\$ 170,598

  

	1% Decrease (6.00 % decreasing to 3.40%)	Current Trend Rate (7.00 % decreasing to 4.40%)	1% Increase (8.00 % decreasing to 5.40%)
School District's proportionate share of the net OPEB liability	\$ 163,506	\$ 212,022	\$ 275,389

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 12: **DEFINED BENEFIT OPEB PLAN** (Continued)

F. **Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2022, actuarial valuation is presented below:

Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	
Payroll Increases	3 percent	
Cost-of-Living Adjustments	0 percent	
Discount Rate of Return	7.00 percent	
Health Care Cost Trends	Initial	Ultimate
Medical		
Pre-Medicare	7.50 percent	3.94 percent
Medicare	-68.78 percent	3.94 percent
Prescription Drug		
Pre-Medicare	9.00 percent	3.94 percent
Medicare	5.47 percent	3.94 percent

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

Actuarial assumptions used in the June 30, 2021; valuations are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized on the following page:

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 12: **DEFINED BENEFIT OPEB PLAN** (Continued)

F. **Actuarial Assumptions – STRS** (Continued)

Asset Class	Target Allocation *	Long-Term Expected Rate of Return **
Domestic Equity	26.00 %	6.60 %
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
<b>Total</b>	<u><u>100.00 %</u></u>	

\* Target allocation percentage is effective July 1, 2022. Target weights were phased in over a 3-month period concluding October 1, 2022.

\*\* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

**Discount Rate** The discount rate used to measure the total OPEB asset was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was used to measure that total OPEB liability as of June 30, 2022.

**Sensitivity of the District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
	School District's proportionate share of the net OPEB asset	\$ 605,689	\$ 655,172

  

	1% Decrease	Current Trend Rate	1% Increase
	School District's proportionate share of the net OPEB asset	\$ 679,573	\$ 655,172

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 12: **DEFINED BENEFIT OPEB PLAN** (Continued)

F. **Actuarial Assumptions – STRS** (Continued)

*Benefit Term Changes Since the Prior Measurement Date* Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based. Healthcare trends were updated to reflect emerging claims and recoveries experience.

NOTE 13: **LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District during fiscal year 2023 were as follows:

	Balance as of 6/30/2022	Additions	Reductions	Balance as of 6/30/2023	Amounts Due In One Year
<b><u>Governmental Activities Long-Term Obligations</u></b>					
<b><u>Long-term Debt Obligations</u></b>					
<b>General Obligation Bonds</b>					
Classroom Facilities and School Improvement Bonds, Series 2022:					
Serial Bonds - \$645,000 - 10.00%	\$ -	\$ 645,000	\$ -	\$ 645,000	\$ 40,000
Term Bonds - \$4,355,000 - 4.00-4.75%	-	4,355,000	-	4,355,000	-
Premium on Bonds	-	279,620	(5,992)	273,628	-
<b>Total General Obligations</b>	<b>-</b>	<b>5,279,620</b>	<b>(5,992)</b>	<b>5,273,628</b>	<b>40,000</b>
Leases Payable	-	116,309	(16,286)	100,023	21,965
<b>Total Long-term Debt Obligations</b>	<b>-</b>	<b>5,395,929</b>	<b>(22,278)</b>	<b>5,373,651</b>	<b>61,965</b>
<b><u>Other General Obligations</u></b>					
Compensated Absences	704,983	-	(16,452)	688,531	15,075
Net Pension Liability:					
STRS	3,064,631	2,560,197	-	5,624,828	-
SERS	474,091	321,519	-	795,610	-
Total Net Pension Liability	3,538,722	2,881,716	-	6,420,438	-
Net OPEB Liability:					
SERS	251,542	-	(39,520)	212,022	-
Total Net OPEB Liability	251,542	-	(39,520)	212,022	-
<b>Total Other General Obligations</b>	<b>4,495,247</b>	<b>2,881,716</b>	<b>(55,972)</b>	<b>7,320,991</b>	<b>15,075</b>
<b>Total Governmental Activities' Long-Term Obligations</b>	<b>\$ 4,495,247</b>	<b>\$ 8,277,645</b>	<b>\$ (78,250)</b>	<b>\$ 12,694,642</b>	<b>\$ 77,040</b>

General Obligation Bonds – The School District issued \$5,000,000 in voted general obligation bonds which comprised of serial and term bonds in the amount of \$645,000 and \$4,355,000, respectively. The bonds were issued for the purpose of building a new pre-k through 12<sup>th</sup> grade school. The bonds were issued with a thirty-five-year period with final maturity on December 1, 2057. The Bond Retirement Fund will fund the annual debt service requirements on these bonds.

**Fairport Harbor Exempted Village School District, Lake County**

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 13: **LONG-TERM OBLIGATIONS** (Continued)

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2022 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		
	Principal	Interest	Total
2024	\$ 40,000	\$ 249,944	\$ 289,944
2025	45,000	245,694	290,694
2026	50,000	240,944	290,944
2027	55,000	235,694	290,694
2028	60,000	229,944	289,944
2029-2033	395,000	1,043,469	1,438,469
2034-2038	570,000	871,431	1,441,431
2039-2043	680,000	736,244	1,416,244
2044-2048	835,000	583,998	1,418,998
2049-2053	1,020,000	392,328	1,412,328
2054-2058	1,250,000	145,125	1,395,125
	<u>\$ 5,000,000</u>	<u>\$ 4,974,813</u>	<u>\$ 9,974,813</u>

Leases Payable – The School District entered into a copier equipment lease with Com Doc, Inc. on March 3, 2022 for a 60-month term commencing on October 1, 2022. An initial lease liability was recorded in the amount of \$116,309. Payments are made on a monthly basis in the amount of \$2,144 with an implied interest rate of 4.18 percent. As of June 30, 2023, the value of the lease liability is \$100,023. The value of the right to use lease equipment as of June 30, 2023 of \$116,309 with accumulated depreciation of \$17,446.

The following is a summary of the future annual requirements to maturity for leases payables:

Fiscal Year Ending June 30,	Lease Payable		
	Principal	Interest	Total
2024	\$ 21,965	\$ 3,763	\$ 25,728
2025	22,901	2,827	25,728
2026	23,876	1,852	25,728
2027	24,894	834	25,728
2028	6,387	45	6,432
	<u>\$ 100,023</u>	<u>\$ 9,321</u>	<u>\$ 109,344</u>

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Note 11 and 12. The District pays obligations related to employee compensation from the fund benefitting from their service.

Compensated absences will be paid from the fund from which the employee is paid. The primary funds that pay employees are, but not limited to, the General Fund, ESSER Fund, IDEA Fund, and Title I.

**Fairport Harbor Exempted Village School District, Lake County**

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 14: **FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the General Fund, Classroom Facilities and all the other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable</i>				
Unclaimed Funds	\$ 1,547	\$ -	\$ -	\$ 1,547
<i>Total Nonspendable</i>	<u>1,547</u>	<u>-</u>	<u>-</u>	<u>1,547</u>
<i>Restricted for</i>				
Debt Service	-	-	223,385	223,385
Capital Improvements	-	4,499,223	1,513,348	6,012,571
Scholarships	-	-	10,239	10,239
Endowment	-	-	10,000	10,000
Classroom Facilities Maintenance	-	-	13,537	13,537
Title I - SSI	-	-	125	125
Student Activities	-	-	71,988	71,988
Other Purposes	-	-	34,845	34,845
<i>Total Restricted</i>	<u>-</u>	<u>4,499,223</u>	<u>1,877,467</u>	<u>6,376,690</u>
<i>Committed to</i>				
Capital Improvements	-	-	500,000	500,000
Healthcare Payments	12,205	-	-	12,205
<i>Total Committed</i>	<u>12,205</u>	<u>-</u>	<u>500,000</u>	<u>512,205</u>
<i>Assigned to</i>				
Student Instruction	24,524	-	-	24,524
Student and Staff Support	131,499	-	-	131,499
Public School Support	18,282	-	-	18,282
Extracurricular Activities	2,000	-	-	2,000
Other Purposes	480	-	-	480
<i>Total Assigned</i>	<u>176,785</u>	<u>-</u>	<u>-</u>	<u>176,785</u>
<i>Unassigned (Deficit)</i>	4,400,097	-	(24,319)	4,375,778
<b>Total Fund Balances</b>	<u>\$ 4,590,634</u>	<u>\$ 4,499,223</u>	<u>\$ 2,353,148</u>	<u>\$ 11,443,005</u>



**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

**NOTE 15: CONSTRUCTION AND OTHER COMMITMENTS**

**A. Construction Commitments**

The School District is undertaking a school building construction project relating to a project agreement with the Ohio Facilities Construction Commission. Below is a listing of significant outstanding contractual commitments at fiscal year-end:

	Contract Amount	Amount Expended	Balance 6/30/2023
Pre-K through 12th grade Building	\$ 50,431,742	\$ (1,433,458)	\$ 48,998,284

**B. Other Commitments**

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the School District’s commitments for encumbrances in the governmental funds were as follows:

	Outstanding Encumbrances
General Fund	\$ 158,023
Classroom Facilities	208,912
Other Governmental Funds	25,393
	\$ 392,328

**NOTE 16: CONTINGENCIES**

**A. Grants**

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, based on prior experience, management believes the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2023, would be immaterial.

**B. Litigation**

As of June 30, 2023, the School District was not party to any legal proceedings.

**C. State Foundation Funding**

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2023 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2023 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

**NOTE 17: SET-ASIDE REQUIREMENTS**

The School District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

The following cash basis information describes the changes in the year-end set-aside amounts for capital acquisitions. Disclosure of this information is required by the State statute.

	<u>Capital Improvement</u>
Set-aside balances as of June 30, 2022	\$ 270,263
Current year set-aside requirements	134,015
Current year offsets:	
Permanent Improvement Levy Proceeds	(13,538)
Classroom Facilities Levy Proceeds	(11,454)
Qualifying disbursements	<u>(96,213)</u>
Total	<u>\$ 283,073</u>
Set aside balance as of June 30, 2023, and carried forward to future fiscal years	<u>\$ 283,073</u>

The School District did not have enough qualifying disbursements and offsets during the fiscal year that reduced the capital improvements set-aside amounts below zero.

**NOTE 18: JOINTLY GOVERNED ORGANIZATIONS**

***Lake Geauga Computer Association*** - The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 18-member School Districts. Each of the School Districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member School Districts. The degree of control exercised by any participating School District is limited to its representation on the governing board. LGCA's continued existence is not dependent upon the School District's continued participation. Financial information can be obtained by writing the Lake Geauga Computer Association, 8221 Auburn Road, Concord Township, Ohio 44077.

***Auburn Vocational School District*** - The Auburn Vocational School District is a joint vocational school operated by ten School Districts. Each participating School District appoints one board member to the Auburn Vocational School District's Board of Education. The students of each participating School District may attend classes offered at the vocational facility. Each participant control over the operation of the Auburn Vocational School District is limited to representation on the board. The Auburn Vocational School District receives 1.5 mills of School District property taxes which is paid to the Auburn Vocational School District directly by Lake County. Continued existence of the Auburn Vocational School District is not dependent on the School District's continued participation. Financial information can be obtained from the Auburn Vocational School District, 8221 Auburn Road, Concord Township, Ohio 44077.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

NOTE 18: **JOINTLY GOVERNED ORGANIZATIONS** (Continued)

*Ohio Schools Council* - The Ohio Schools Council (Council) is a jointly governed organization among 260 School Districts. The jointly governed organization was created by School Districts for the purpose of saving money through volume purchases. Each School District supports the Council by paying an annual participation fee. Each School District member superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September through June.

The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. The degree of control exercised by any School District is limited to its representation on the Board. In fiscal year 2022, the School District paid \$350 to the Council. Financial information can be obtained by contacting William J. Zelei, the Executive Director of the Ohio Schools Council at 6393 Oak Tree Blvd., Suite 377, Independence, Ohio 44131.

The School District participates in the Council's natural gas program. The Council provides participating School Districts the ability to purchase natural gas at reduced rates, if the School Districts will commit to participating for a twelve-year period. There are currently 170 School Districts in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). School Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and School Districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

NOTE 19: **CLAIMS SERVICING POOL**

The School District participates in the Lake County School Council (LCSC) Self Insurance Program, a claims servicing pool comprised of ten Lake County School Districts and one Cuyahoga County School District. Each School District has a representative on the assembly (usually the superintendent or Treasurer). Each member pays an administrative fee to the pool. The plan's business and affairs are conducted by a five-member Board of Directors elected by the LCSC's assembly. The assembly elects officers for one year terms to serve on the Board of Directors. Financial information can be obtained by writing Jennifer Capo, Treasurer for the Health Care Benefits Program of Lake County Schools Council, Perry Local School District, 4325 Manchester Ave., Perry, OH 44081.

NOTE 20: **RELATED ORGANIZATION**

The Fairport Harbor Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Fairport Harbor Exempted Village School District's Board of Education. The Board of Trustees possess its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Fairport Harbor Public Library, Joanne Clapp, Fiscal Officer, at 335 Vine Street, Fairport Harbor, Ohio, 44077.

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

**NOTE 21: INSURANCE PURCHASING POOL**

The School District participates in the Ohio Schools Council (OSC) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three-member Board of directors consisting of the President, the President-Elect and the Immediate Past President of OSBA. The Director of OSBA, or his designee, serves as coordinator of the program. Each year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

## **Required Supplementary Information**

**Fairport Harbor Exempted Village School District, Lake County**

**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of the Net Pension Liability**  
**School Employees Retirement System of Ohio**  
**Last Nine Fiscal Years (1)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
School District's Proportion of the Net Pension Liability	0.0147096%	0.0128490%	0.0146544%
School District's Proportionate Share of the Net Pension Liability	\$ 795,610	\$ 474,091	\$ 969,272
School District's Covered Payroll	\$ 549,486	\$ 443,514	\$ 513,821
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	144.79%	106.89%	188.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.82%	82.86%	68.55%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the School District's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information

**Fairport Harbor Exempted Village School District, Lake County**

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0160802%	0.0162024%	0.0152402%	0.0163864%	0.0183884%	0.018357%
\$ 962,107	\$ 927,943	\$ 910,568	\$ 1,199,333	\$ 1,049,260	\$ 929,037
\$ 533,756	\$ 559,222	\$ 259,064	\$ 508,900	\$ 614,067	\$ 501,941
180.25%	165.93%	351.48%	235.67%	170.87%	185.09%
70.85%	71.36%	69.50%	62.98%	69.16%	71.70%

**Fairport Harbor Exempted Village School District, Lake County**

**Required Supplementary Information  
Schedule of the School District's Proportionate Share of the Net Pension Liability  
State Teachers Retirement System of Ohio  
Last Nine Fiscal Years (1)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
School District's Proportion of the Net Pension Liability	0.02530273%	0.02396883%	0.02822373%
School District's Proportionate Share of the Net Pension Liability	\$ 5,624,828	\$ 3,064,631	\$ 6,829,138
School District's Covered Payroll	\$ 3,289,479	\$ 2,901,593	\$ 2,748,371
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	170.99%	105.62%	248.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.90%	87.80%	75.50%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the School District's measurement date which is the prior fiscal period end.

See accompanying notes to the required supplementary information



**Fairport Harbor Exempted Village School District, Lake County**

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.03029561%	0.03089722%	0.02873385%	0.02534370%	0.02343299%	0.02254391%
\$ 6,699,692	\$ 6,793,605	\$ 6,825,788	\$ 8,483,300	\$ 6,476,193	\$ 5,483,459
\$ 3,570,243	\$ 3,540,721	\$ 3,042,657	\$ 2,706,757	\$ 2,304,750	\$ 2,376,215
187.65%	191.87%	224.34%	313.41%	280.99%	230.76%
77.40%	77.31%	75.29%	66.80%	72.10%	74.70%

**Fairport Harbor Exempted Village School District, Lake County**

**Required Supplementary Information  
Schedule of the School District's Contributions - Pension  
School Employees Retirement System of Ohio  
Last Ten Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contribution	\$ 81,459	\$ 76,928	\$ 62,092	\$ 71,935
Contributions in Relation to the Contractually Required Contribution	<u>(81,459)</u>	<u>(76,928)</u>	<u>(62,092)</u>	<u>(71,935)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 581,850	\$ 549,486	\$ 443,514	\$ 513,821
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

**Fairport Harbor Exempted Village School District, Lake County**

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 72,057	\$ 75,495	\$ 36,269	\$ 71,246	\$ 80,934	\$ 69,569
<u>(72,057)</u>	<u>(75,495)</u>	<u>(36,269)</u>	<u>(71,246)</u>	<u>(80,934)</u>	<u>(69,569)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 533,756	\$ 559,222	\$ 259,064	\$ 508,900	\$ 614,067	\$ 501,941
13.50%	13.50%	14.00%	14.00%	13.18%	13.86%

**Fairport Harbor Exempted Village School District, Lake County**

**Required Supplementary Information  
Schedule of the School District's Contributions - Pension  
State Teachers Retirement System of Ohio  
Last Ten Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contribution	\$ 490,049	\$ 460,527	\$ 406,223	\$ 384,772
Contributions in Relation to the Contractually Required Contribution	<u>(490,049)</u>	<u>(460,527)</u>	<u>(406,223)</u>	<u>(384,772)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 3,500,350	\$ 3,289,479	\$ 2,901,593	\$ 2,748,371
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information

**Fairport Harbor Exempted Village School District, Lake County**

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 499,834	\$ 495,701	\$ 425,972	\$ 378,946	\$ 322,665	\$ 308,908
<u>(499,834)</u>	<u>(495,701)</u>	<u>(425,972)</u>	<u>(378,946)</u>	<u>(322,665)</u>	<u>(308,908)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,570,243	\$ 3,540,721	\$ 3,042,657	\$ 2,706,757	\$ 2,304,750	\$ 2,376,215
14.00%	14.00%	14.00%	14.00%	14.00%	13.00%

**Fairport Harbor Exempted Village School District, Lake County**

**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of the Net OPEB Liability**  
**School Employees Retirement System of Ohio**  
**Last Six Fiscal Years (1)**

	<u>2023</u>	<u>2022</u>
School District's Proportion of the Net OPEB Liability	0.0151011%	0.0132909%
School District's Proportionate Share of the Net OPEB Liability	\$ 212,022	\$ 251,542
School District's Covered Payroll	\$ 549,486	\$ 443,514
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	38.59%	56.72%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.34%	24.08%

(1) Information prior to 2018 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information

**Fairport Harbor Exempted Village School District, Lake County**

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
0.0152784%	0.0164490%	0.0163944%	0.0154504%
\$ 332,051	\$ 413,658	\$ 454,825	\$ 414,649
\$ 513,821	\$ 533,756	\$ 559,222	\$ 259,064
64.62%	77.50%	81.33%	160.06%
18.17%	15.57%	13.57%	12.46%

**Fairport Harbor Exempted Village School District, Lake County**

**Required Supplementary Information**  
**Schedule of the School District's Proportionate Share of the Net OPEB Liability/Asset**  
**State Teachers Retirement System of Ohio**  
**Last Six Fiscal Years (1)**

	<u>2023</u>	<u>2022</u>
School District's Proportion of the Net OPEB Liability/Asset	0.02530273%	0.02396883%
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (655,172)	\$ (505,364)
School District's Covered Payroll	\$ 3,289,479	\$ 2,901,593
School District's Proportionate Share of the Net OPEB Liability/Asset as a Percentage of its Covered Payroll	-19.92%	-17.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability/Asset	174.73%	174.73%

(1) Information prior to 2018 is not available. Schedule is intended to show ten years of information, and additional information will be displayed as it becomes available.

Amounts presented as of the School District's measurement date, which is the prior fiscal year end.

See accompanying notes to the required supplementary information



**Fairport Harbor Exempted Village School District, Lake County**

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
0.02822373%	0.03029561%	0.03089722%	0.02873385%
\$ (496,032)	\$ (501,768)	\$ (496,486)	\$ 1,121,089
\$ 2,748,371	\$ 3,570,243	\$ 3,540,721	\$ 3,042,657
-18.05%	-14.05%	-14.02%	36.85%
182.13%	174.74%	176.00%	47.11%

**Fairport Harbor Exempted Village School District, Lake County**

**Required Supplementary Information  
Schedule of the School District's Contributions - OPEB  
School Employees Retirement System of Ohio  
Last Ten Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contribution (1)	\$ 11,151	\$ 10,171	\$ 8,732	\$ 10,154
Contributions in Relation to the Contractually Required Contribution	<u>(11,151)</u>	<u>(10,171)</u>	<u>(8,732)</u>	<u>(10,154)</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
School District Covered Payroll	\$ 581,850	\$ 549,486	\$ 443,514	\$ 513,821
OPEB Contributions as a Percentage of Covered Payroll (1)	1.92%	1.85%	1.97%	1.98%

(1) Includes Surcharge

See accompanying notes to the required supplementary information

**Fairport Harbor Exempted Village School District, Lake County**

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 12,568	\$ 8,666	\$ 8,352	\$ 8,471	\$ 21,115	\$ 20,993
<u>(12,568)</u>	<u>(8,666)</u>	<u>(8,352)</u>	<u>(8,471)</u>	<u>(21,115)</u>	<u>(20,993)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ 533,756	\$ 559,222	\$ 259,064	\$ 508,900	\$ 614,067	\$ 501,941
2.35%	1.55%	3.22%	1.66%	3.44%	4.18%

**Fairport Harbor Exempted Village School District, Lake County**

**Required Supplementary Information  
Schedule of the School District's Contributions - OPEB  
State Teachers Retirement System of Ohio  
Last Ten Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 3,500,350	\$ 3,289,479	\$ 2,901,593	\$ 2,748,371
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

See accompanying notes to the required supplementary information

**Fairport Harbor Exempted Village School District, Lake County**

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,762
-	-	-	-	-	(23,762)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,570,243	\$ 3,540,721	\$ 3,042,657	\$ 2,706,757	\$ 2,304,750	\$ 2,376,215
0.00%	0.00%	0.00%	0.00%	0.00%	1.00%

**Fairport Harbor Exempted Village School District, Lake County**

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

*Net Pension Liability*

*Changes of benefit terms- SERS*

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2017 and 2019-2023.

The following changes were made to the benefit terms in 2018 as identified: The COLA was changed from a fixed 3.00% to a COLA that is indexed to CPI-W not greater than 2.5% with a floor of 0% beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018-2020.

*Changes in assumptions- SERS*

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016 and 2018-2021. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement (h) change in discount rate from 7.75% to 7.5%. For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.00% to 2.40%, (b) assumed real wage growth was reduced from 0.0% to 0.85%, (c) Cost-of-Living-Adjustments was reduced from 2.50% to 2.00% (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality amount active members, service retirees and beneficiaries, and disabled members were updated (i) change in discount rate from 7.50% to 7.00%. For fiscal year 2023, Cost-of-Living-Adjustments were increased from 2.00% to 2.50%.

*Changes in benefit terms – STRS*

There were no changes in benefit terms from the amounts reported for fiscal years 2014-2023.

*Changes in assumptions – STRS*

There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2017 and 2019-2021. For fiscal year 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) inflation assumption lowered from 2.75% to 2.50%, (b) investment return assumption lowered from 7.75% to 7.45%, (c) total salary increases rates lowered by decreasing the merit component of the individual salary increases, as well as by 0.25% due to lower inflation, (d) payroll growth assumption lowered to 3.00%, (e) updated the healthy and disable mortality assumption to the “RP-2014” mortality tables with generational improvement scale MP-2016, (f) rates of retirement, termination and disability were modified to better reflect anticipated future experience. For fiscal year 2022, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) investment return assumption lowered from 7.45% to 7.00%, (b) discount rate of return reduced from 7.45% to 7.00%. For fiscal year 2023, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) projected salary increases changed from, 12.50% at age 20 to 2.50% at age 65, to, varies by service from 2.50% to 8.50% (b) post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95

**Fairport Harbor Exempted Village School District, Lake County**

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

***Net OPEB Liability***

***Changes of benefit terms- SERS***

There were no changes in benefit terms from the amounts reported for fiscal years 2018-2023.

***Changes in Assumptions – SERS***

Amounts reported for fiscal years 2018-2023 incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

**Municipal Bond Index Rate:**

Fiscal year 2023	3.69 percent
Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

**Single Equivalent Interest Rate, net of plan investment expense,  
including price inflation**

Fiscal year 2023	4.08 percent
Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

**Medicare Trend Assumption**

**Medicare**

Fiscal year 2023	7.00 percent decreasing to 4.40 percent
Fiscal year 2022	5.125 percent decreasing to 4.40 percent
Fiscal year 2020	5.25 percent decreasing to 4.75 percent
Fiscal year 2019	5.375 percent decreasing to 4.75 percent
Fiscal year 2018	5.50 percent decreasing to 5.00 percent

**Pre – Medicare**

Fiscal year 2023	7.00 percent decreasing to 4.40 percent
Fiscal year 2022	6.75 percent decreasing to 4.40 percent
Fiscal year 2020	7.00 percent decreasing to 4.75 percent
Fiscal year 2019	7.25 percent decreasing to 4.75 percent
Fiscal year 2018	7.50 percent decreasing to 5.00 percent

**Fairport Harbor Exempted Village School District, Lake County**

**Notes to the Basic Financial Statements**

**For the Fiscal Year Ended June 30, 2023 (Continued)**

***Changes in Assumptions – STRS***

For fiscal year 2018, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45.

For fiscal years 2020 and 2021, the health care cost trend rates were modified.

For fiscal year 2022, the discount rate was decreased from 7.45 percent to 7.00 percent. The health care cost trend rates modified.

For fiscal year 2023, projected salary increases changed from, 12.50% at age to 2.50% at age 65, to, varies by service from 2.50% to 8.50%. The health care cost trend rates were modified.

***Changes in Benefit Terms – STRS***

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2020.

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2020, claims curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984 per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

For fiscal year 2021, Claim curves were updated to reflect the projected fiscal year end 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984% to 2.055% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

There were no benefit term changes from the amounts reported for fiscal year 2022 and 2023





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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Fairport Harbor Exempted Village School District  
Lake County  
329 Vine Street  
Fairport Harbor, Ohio 44077

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Fairport Harbor Exempted Village School District, Lake County, (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 24, 2024.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 24, 2024

# OHIO AUDITOR OF STATE KEITH FABER



**FAIRPORT HARBOR EXEMPTED VILLAGE SCHOOL DISTRICT**

**LAKE COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 6/18/2024**

65 East State Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)